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TAGS: [PREL](#) [UNSC](#) [IZ](#)
SUBJECT: IRAQI EFFORTS TO CLOSE OUT OIL FOR FOOD CONTRACTS

REF: 08 STATE 122273

Classified By: Economic Counselor Michael Dodman for reasons 1.5 b+d

¶1. (C) Summary: The Iraqi MFA is optimistic that it can make serious progress over the next month to close out the remaining Oil For Food contracts. The GOI goal is to collect all necessary documentation and convene a final meeting in New York to review all the disputed contracts and make a final determination on which will be paid, obtaining UN agreement that a certain number should not be paid because of failure to meet contract terms; the MFA estimates that out of \$270 million in disputed contracts, \$90 million will be paid and the remainder of the OFF account transferred to the UN-administered Development Fund for Iraq. The MFA is also preparing suitable space to take possession of the OFF documentation currently stored by the USG. End summary.

¶2. (C) Iraqi MFA Chief of Staff, Ambassador Srood Najib, met with embassy staff on February 3 to review the status and future of outstanding contracts under the Oil for Food Program (OFF). There are around 130 contracts that have not been closed out because the GOI claims that the goods were never received or were not received in suitable condition. These contracts are worth around \$270 million, an amount that is being held by the UN in an OFF account. Many of these contracts are with Russian and Chinese firms. Econ Counselor urged Najib to accelerate efforts to resolve these contracts so that the OFF program can be formally terminated. Closing OFF is a step in keeping with efforts of the GOI, USG, and others in the international community to restore full sovereignty to Iraq, and will support efforts to end or amend existing UN Security Council Resolutions under Chapter 7.

¶3. (C) Najib fully agreed with the political importance of bringing the OFF saga to a close. He said he had met with PM Maliki last month to make a similar pitch, noting that he had repeatedly been stymied in his efforts to resolve the remaining contracts by the refusal of the ministries involved to prepare adequate documentation. According to Najib, last month the prime minister instructed all impacted ministries to provide the necessary documentation to the MFA within thirty days, or by February 25. Najib expects to receive the required documents within two weeks. He will be meeting with impacted ministries next week to advance the effort, and the PM's legal staff is expected to be present to support the MFA requests.

¶4. (C) Najib is aware that UNSC members are planning to give Iraq a 45-day deadline to settle outstanding cases, and that the letter setting this in motion has not yet been sent. Najib said he is using the threat of the PM's legal office as pressure to gain compliance from the ministries.

¶5. (C) Assuming he receives the required documentation from the ministries by mid-February, Najib's goal is to work with the Central Bank to prepare the necessary files and then to travel to the UN for a meeting with the Secretariat and all OFF stakeholders to formally review and close each open

contract. Some will be paid, but Najib expects many will still be disputed. The GOI intent is to get the UN to formally close the OFF program and the OFF account without paying the disputed contracts, instructing claimants to pursue the case in court if they wish. In a sign of the magnitude of the contracts that Najib expects will not be mutually agreed, Najib said he expects that \$180 million of the \$270 million in the OFF account will be transferred to the Development Fund for Iraq (DFI) when the OFF account is closed.

16. (C) Najib noted two other issues related to OFF contracts. Some of the unresolved contracts are with firms that are listed on UN "blacklists" which meant that the UN should support GOI refusal to pay these claims. Second, there are eight disputed contracts that the GOI is not likely to pay on which an official from the CPA had signed for receipt of the imported product. Najib noted that this could bring the USG or Amcits into potential legal challenges.

17. (C) Najib also discussed the future of tens of thousands of OFF contracts and documents that, while the property of the MFA, have been stored since 2004 in a warehouse on the property of the former US Embassy annex (the building is in a portion of the former compound that is still under USG control and used primarily by KBR). Econ Counselor urged Najib to accelerate the long-promised transfer of the documents to a site controlled by the GOI. Najib said that an appropriate space has been identified at the MFA headquarters, and that they would be in a position to move the documents "soon." Embassy Anti-Corruption Coordinator noted that he had been approached by the head of the Board of Supreme Audit with a request for the embassy to grant him access to the documents. (Note: the agreement with the MFA is that all requests for access need to be routed through and approved by the MFA.) Najib said that he had been in direct contact with the BSA Chairman and explained that the best solution would be for the BSA to examine the documents after they are moved to the MFA.

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